

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 EB-07 AGR-05 AID-05 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 SP-02 CIEP-01

LAB-04 SIL-01 OMB-01 SS-15 NSC-05 STR-04 L-03 SSO-00

NSCE-00 USIE-00 INRE-00 /079 W
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FM AMEMBASSY MEXICO

TO SECSTATE WASHDC IMMEDIATE 1317

INFO AMEMBASSY BRASILIA IMMEDIATE

TREASURY IMMEDIATE

C O N F I D E N T I A L MEXICO 10286

E.O. 11652: GDS

SUBJ: PROPOSED IDB DAIRY LOAN TO MEXICO

REF: STATE 275856

1. SUMMARY: I CALLED ON FINANCE MINISTER AND MADE POINTS IN REFTEL. BETETA STRONGLY DEFENDED LOAN ON TECHNICAL GROUNDS AND INDICATED THAT PRESIDENT HAD TAKEN PERSONAL INTEREST IN LOAN BECAUSE OF SON'S INVOLVEMENT IN PLANNING, AND FOR THIS REASON HAD ASKED THAT STRICTEST TECHNICAL CRITERIA BE OBSERVED. HE SAID PRESIDENT HAD DISCUSSED LOAN WITH ORTIZ-MENA WHO SUPPORTED IT. BETETA INDICATED THAT CONSIDERATION OF LOAN BY IDB BOARD IS TEMPORARILY SUSPENDED BUT THAT MEXICO COULD NOT WITHDRAW IT. I URGED THAT MEXICANS REFORMULATE LOAN BEFORE FURTHER CONSIDERATION. END SUMMARY.

2. FINANCE MINISTER BETETA RECEIVED ME AND FINATT ON SHORT NOTICE. UNDER SECRETARY DE LA MADRID JOINED CONVERSATION. AFTER MAKING POINTS IN REFTEL, BETETA AND DE LA MADRID VIGOROUSLY DEFENDED LOAN ON TECHNICAL GROUNDS. THEY SAID IDB STRONGLY SUPPORTED LOAN, AND THAT IT WOULD BENEFIT GENERAL POPULATION OF MEXICO CITY AND NOT MERELY
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A LIMITED NUMBER OF DAIRY FARMERS. THEY ALSO MAINTAINED

THE LOAN WOULD INCREASE BOTH DIRECT AND INDIRECT EMPLOYMENT IN AREA WHERE DAIRY FARMS ARE TO BE LOCATED. THEY SAID THAT IN THE 146 MEDIUM-SIZE DAIRY FARMERS ACCOUNT FOR 80-85 PERCENT OF DAIRY CATTLE IN FEDERAL DISTRICT. DE LA MADRID NOTED THAT IDB STAFF WANTED TO USE LOAN AS PILOT PROJECT FOR OTHER LATIN AMERICAN COUNTRIES.

3. DE LA MADRID SAID THAT SON OF PRESIDENT ECHEVERRIA WORKS FOR TRUST THAT WILL ADMINISTER LOAN AND HAD ROLE IN DEVELOPING PROJECT. BETETA DESCRIBED SON AS SERIOUS, HARD-WORKING AND RESPONSIBLE. PRESIDENT WAS, ACCORDING TO BETETA AND DE LA MADRID, CONCERNED THAT PROJECT HE CONSIDERED WORTHWHILE BECAUSE OF HIS SON'S INVOLVEMENT, AND HAD INSISTED ON HIGHEST CRITERIA FOR THIS REASON. ORTIZ-MENA AND OTHERS APPARENTLY ASSURED HIM IT WAS. BETETA SAID THE PROJECT HAS BEEN "OVERSTUDIED" FOR THIS REASON.

4. WHILE DE LA MADRID AND FINATT WERE IN ANOTHER ROOM DISCUSSING SOME DETAILS OF LOAN, BETETA PRESSED ME AS TO WHETHER WE HAD ANY OBJECTIONS OTHER THAN THOSE MENTIONED IN REFTEL TO LOAN. HE COMMENTED THAT IT WAS HIGHLY UNUSUAL FOR AMBASSADOR TO RAISE THIS SORT OF MATTER AND ARGUED WITH SOME EMOTION THAT MEXICO WOULD NOT BE ABLE TO WITHDRAW VOLUNTARILY FROM BOARD CONSIDERATION A LOAN THAT IDB STAFF HAD DEVELOPED AND SUPPORTED, AND THAT WAS DESIRED BY GOM, AND THAT HAD BEEN SO CAREFULLY PREPARED.

5. AT CONCLUSION OF MEETING, DE LA MADRID TOLD US THAT MEXICAN ED HAD SAID BOARD CONSIDERATION OF LOAN BEING TEMPORARILY SUSPENDED. I URGED BETETA TO REFORMULATE LOAN TO EXPAND NUMBER OF BENEFICIARIES; AND IN PARTICULAR TO INCLUDE SMALLER DAIRY FARMERS.

6. DE LA MADRID IS PREPARING MEMO ON LOAN WHICH HE IS TO GIVE FINATT ON MONDAY AND WE WILL TRANSMIT TO WASHINGTON.

7. COMMENT: I HAVE IMPRESSION THAT GOM WILL NOT WITHDRAW LOAN BECAUSE OF SUPPOSED IDB SUPPORT AND PRESIDENTIAL INVOLVEMENT. THERE WAS NO INDICATION OF DIFFERENCES OF CONFIDENTIAL

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OPINION AT THIS STAGE ON SUITABILITY OF PROJECT FOR IDB FINANCING AMONG HIGH GOM OFFICIALS, BUT RATHER THAT LOAN PROPOSAL HAD RECEIVED CONSIDERABLE STUDY EARLIER, APPARENTLY BECAUSE OF PRESIDENT'S SON'S INVOLVEMENT. A WITHDRAWAL WOULD PROBABLY REQUIRE PRESIDENTIAL DECISION. SHORT OF REJECTING THE LOAN BY A BOARD VOTE, THE BEST WE COULD OBTAIN WOULD BE A REFORMULATION OF SOME KIND. IN THE MEANTIME, STRONG, BUT CONTROLLED, EMOTIONS WERE AROUSED BY OUR CONVERSA-

TION.
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